

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 4130-01  
BILL NO.: HB 1933  
SUBJECT: Revenue Department; Taxation and Revenue; Workers Compensation.  
TYPE: Original  
DATE: February 25, 2000

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0 to (\$22,167)	\$0 to (\$22,167)	\$0 to (\$22,167)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0 to (\$22,167)</b>	<b>\$0 to (\$22,167)</b>	<b>\$0 to (\$22,167)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses  
This fiscal note contains 4 pages.

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## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials of the **Department of Revenue (DOR)** state this proposed legislation allows insurers a tax credit for taxes paid on net premiums under the worker's compensation statute. The DOR assumes they will do the collecting and refunding of the tax and the Department of Insurance would be responsible for the tax credit. Therefore, the DOR anticipates little or no administrative impact from this legislation. The DOR assumes this will result in a decrease in total state revenues.

Officials from the **Department of Insurance (INS)** state this proposal expands the neighborhood assistance tax credit to premiums taxed under the workers compensation laws. Insurance companies writing workers compensation insurance will be allowed tax credits for contributions under sections 32.110 and 32.115, RSMo.

The INS assumes that contributions for neighborhood assistance will be made by workers compensation insurers in the same proportion that other insurers have made such contributions. On an annual basis, insurers took credit for neighborhood assistance of .003% of net premiums. Annually, workers compensation insurers during 1996-1998 wrote a mean net premium subject to tax of \$738,916,068. Neighborhood assistance tax credits at a rate of .003% of this figure would be \$22,167 annually. The INS assumes a range of \$0 to \$22,167 in decreased premium tax as the fiscal impact.

Officials from the **Department of Labor and Industrial Relations (DOL)** state this proposal would allow insurance carriers to apply tax credits received under the Neighborhood Assistance against their liability for premium tax imposed by the workers' compensation law. The DOL assumes they are unable to determine the impact of the legislation at this time as the tax credits would be based upon the contributions made by insurers for charitable purposes. The DOL believes that this legislation could have an adverse impact on their responsibility to impose, assess and collect taxes from insurers for administering the workers' compensation laws.

The **Office of Administration, Budget and Planning** deferred to the fiscal impact estimate of the Department of Insurance.

Officials from the **Department of Economic Development** state this proposal has no fiscal impact on their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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**WORKERS COMPENSATION FUND**

<u>Loss</u> - Reduction in premium taxes	\$0 to (\$22,167)	\$0 to (\$22,167)	\$0 to (\$22,167)
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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	\$0	\$0	\$0
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FISCAL IMPACT - Small Business

A direct fiscal impact could be expected to those small businesses that pays a workers' compensation premiums tax.

DESCRIPTION

This proposal adds workers' compensation premiums tax to the priority list of tax credits allowed to be taken by a taxpayer.

The inclusion into the priority list will apply to tax year 2000 and thereafter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Revenue  
Department of Insurance  
Department of Labor and Industrial Relations  
Office of Administration  
    Budget and Planning  
Department of Economic Development

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive script.

Jeanne Jarrett, CPA  
Director  
February 25, 2000